

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-05-024495-02	\$ (52,717)	\$ 72,717	\$ 20,000	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-06-028668-02	-	70,254	88,236	-	(17,982)
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-06-031152-00	-	5,000	5,000	-	-
Total Emergency Food Assistance Program			(52,717)	147,971	113,236	-	(17,982)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	170,593	170,593	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(40,157)	330,223	335,056	-	(44,990)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(9,217)	82,982	89,892	-	(16,127)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	-	5,167	5,968	-	(801)
Total Child and Adult Care Food Program			(49,374)	418,372	430,916	-	(61,918)
Summer Food Service Program for Children	10.559	30-010	(267,630)	259,951	44,577	52,256	-
Total U.S. Department of Agriculture			(369,721)	996,887	759,322	52,256	(79,900)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B04MC470001	(211,691)	211,691	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B05MC470001	-	1,972,363	2,437,308	-	(464,945)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	734,657	734,657	-	-
Total Community Development Block Grants/Entitlement Grants			(211,691)	2,918,711	3,171,965	-	(464,945)

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Emergency Shelter Grants Program (ESG)	14.231	S04MC47003	\$ (18,046)	\$ -	\$ 30,148	\$ -	\$ (48,194)
Emergency Shelter Grants Program (ESG)	14.231	S05MC47003	-	-	58,313	-	(58,313)
Total Emergency Shelter Grants Program (ESG)			(18,046)	-	88,461	-	(106,507)
Shelter Plus Care	14.238	TN37C400010	(39,972)	116,430	114,231	-	(37,773)
Home Investment Partnerships Program	14.239	M03MC470200	(100)	582,810	846,027	-	(263,317)
Home Investment Partnerships Program	14.239	Program Income	-	748,250	485,040	-	263,210
Total Home Investment Partnerships Program			(100)	1,331,060	1,331,067	-	(107)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B01SPTN0590	(298,939)	391,258	114,709	-	(22,390)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B02SPTN0685	(215,732)	555,127	425,586	-	(86,191)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0735	(39,013)	48,272	10,387	-	(1,128)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0748	(483,722)	864,509	397,780	-	(16,993)
Total Community Development Bock Grants/ Brownfields Economic Development Initiative			(1,037,406)	1,859,166	948,462	-	(126,702)
Total U.S. Department of Housing and Urban Development			(1,307,215)	6,225,367	5,654,186	-	(736,034)

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U.S. DEPARTMENT OF THE INTERIOR							
Passed through National Park Service:							
Civil War Battlefield Land Acquisition Grants	15.928	4705CW1405	\$ -	\$ 252,500	\$ 252,500	\$ -	\$ -
Passed through State of Tennessee Historical Commission:							
Historic Preservation Fund Grants - In-Aid	15.904	GG061204600	-	-	1,954	-	(1,954)
Historic Preservation Fund Grants - In-Aid	15.904	GG051158500	(5,586)	12,918	7,332	-	-
Total Historic Preservation Fund Grants - In-Aid			(5,586)	12,918	9,286	-	(1,954)
Total U.S. Department of Interior			(5,586)	265,418	261,786	-	(1,954)
U.S. DEPARTMENT OF JUSTICE							
State Domestic Preparedness Equipment Support Program	16.007	2003-TE-CX-0003	(43,930)	36,466	36,466	43,930	-
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088379-00	-	28,741	36,843	-	(8,102)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088380-00	(5,570)	9,560	4,560	-	(570)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088436-00	(3,983)	16,384	12,833	-	(432)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088471-00	(17,075)	47,668	42,270	-	(11,677)
Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			(26,628)	102,353	96,506	-	(20,781)
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0968	71,324	-	71,324	-	-
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1212	84,528	-	71,229	-	13,299
Total Local Law Enforcement Block Grants Program			155,852	-	142,553	-	13,299

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(continued from previous page)							
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2002CKWX0005	\$ (9,078)	\$ 18,978	\$ 128,810	\$ -	\$ (118,910)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0280	-	340,008	130,317	-	209,691
Total U.S. Department of Justice			76,216	497,805	534,652	43,930	83,299
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-EN-9202 (85)	(1,365,294)	1,362,297	-	2,997	-
Highway Planning and Construction	20.205	STP-M-9202 (86)	(218,457)	145,591	-	-	(72,866)
Highway Planning and Construction	20.205	Z-05-024242-00	(129,827)	186,705	56,878	-	-
Highway Planning and Construction	20.205	Z-06-030928-00	-	144,317	199,282	-	(54,965)
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-000-0007-00(207)	-	47,317	78,197	-	(30,880)
Highway Planning and Construction	20.205	PL-0005-00-995	(4,182)	17,083	13,663	762	-
Total Highway Planning and Construction			(1,717,760)	1,903,310	348,020	3,759	(158,711)
Federal Transit: Metropolitan Planning Grants	20.505	GG-05-11659-00	(25,355)	38,624	13,269	-	-
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12294-00	-	48,072	64,954	-	(16,882)
Total Federal Transit: Metropolitan Planning Grants			(25,355)	86,696	78,223	-	(16,882)
Passed through Tennessee Department of Transportation:							
State and Community Highway Safety	20.600	Z-05-024125-00	(34,687)	105,409	70,722	-	-
State and Community Highway Safety	20.600	Z-06-027325-00	-	4,033	10,134	-	(6,101)
Total State and Community Highway Safety			(34,687)	109,442	80,856	-	(6,101)
Total U.S. Department of Transportation			(1,777,802)	2,099,448	507,099	3,759	(181,694)

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(continued from previous page)							
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	GG-01-09207-01	\$ -	\$ 770	\$ 770	\$ -	\$ -
Grants to States	45.310	GG-06-12045-00	-	48,000	48,000	-	-
Grants to States	45.310	Z-06-031297-00	-	5,900	5,900	-	-
Grants to States	45.310		-	50,000	44,136	-	5,864
Total Institute of Museum and Library Services			-	104,670	98,806	-	5,864
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program Support	66.001	A00408406-1	-	-	303,043	-	(303,043)
Air Pollution Control Program Support	66.001	A00408405-1	(298,165)	298,165	-	-	-
Air Pollution Control Program Support	66.001	XA-831168501-0	-	100,000	100,000	-	-
Total Air Pollution Control Program Support			(298,165)	398,165	403,043	-	(303,043)
Surveys, Studies, Investigations and Special Purpose Grants	66.606	PM97475803-1	-	53,755	53,755	-	-
Total U.S. Environmental Protection Agency			(298,165)	451,920	456,798	-	(303,043)
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-02	(62,780)	62,780	-	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-04	-	282,121	325,000	-	(42,879)
Total Weatherization Assistance for Low-Income Persons			(62,780)	344,901	325,000	-	(42,879)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/28	(429,165)	429,165	-	-	-
Head Start	93.600	04CH0047/29	-	7,166,906	7,524,834	-	(357,928)
Total Head Start			(429,165)	7,596,071	7,524,834	-	(357,928)

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(continued from previous page)							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-05-021693-02	\$ (91,057)	\$ 91,057	\$ -	\$ -	\$ -
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-05-021693-04	-	1,423,462	1,431,249	-	(7,787)
Total Low-Income Home Energy Assistance (LIHEAP)			(91,057)	1,514,519	1,431,249	-	(7,787)
Social Services Block Grant	93.667	Z-06-031570	-	238,712	242,112	-	(3,400)
Community Services Block Grant (CSBG)	93.569	Z-05-020686-01	(81,394)	81,394	-	-	-
Community Services Block Grant (CSBG)	93.569	Z-05-020686-02	-	521,716	581,612	-	(59,896)
Total Community Services Block Grant (CSBG)			(81,394)	603,110	581,612	-	(59,896)
Total U.S. Department of Health and Human Services			(601,616)	9,952,412	9,779,807	-	(429,011)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	04-SFSTN003	(34,232)	34,232	-	-	-
Foster Grandparent Program	94.011	05-SFSTN003	-	398,602	426,354	-	(27,752)
Total Corporation for National and Community Services			(34,232)	432,834	426,354	-	(27,752)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	23-7682-00-001	7,656	-	7,656	-	-
Emergency Food and Shelter National Board Program	97.024	24-7682-00-001	-	37,000	24,636	-	12,364
Total Federal Emergency Management Agency			7,656	37,000	32,292	-	12,364
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017837-00	(120,677)	-	8,889	-	(129,566)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024713-00	(5,696)	-	-	-	(5,696)
Total Public Assistance Grants			(126,373)	-	8,889	-	(135,262)

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(continued from previous page)							
Hazard Mitigation Grant	97.039	GG-05-11612-00	\$ (532,861)	\$ 601,975	\$ 92,152	\$ -	\$ (23,038)
Assistance to Firefighters Grant	97.044	EMW-2005-FG-07649	-	-	439,846	-	(439,846)
Metropolitan Medical Response System Grant	97.071	EMW-2004-GR-0678	-	30,055	121,307	-	(91,252)
Total U.S. Department of Homeland Security			(659,234)	632,030	662,194	-	(689,398)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(5,032,479)	22,040,692	19,498,296	99,945	(2,390,138)
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	-	10,988	10,988	-	-
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0042	-	1,166,847	1,166,847	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0060	-	33,122	33,122	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0076	-	40,607	41,709	-	(1,102)
Federal Transit - Capital Investment Grants	20.500	TN-03-0067	-	15,860	15,860	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0081	-	435,846	435,846	-	-
Total Federal Transit - Capital Investment Grants			-	1,703,270	1,704,372	-	(1,102)
Federal Transit - Formula Grants	20.507	TN-90-X215	-	652,568	667,622	-	(15,054)
Federal Transit - Formula Grants	20.507	TN-26-0020	-	374,422	393,912	-	(19,490)

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(continued from previous page)							
Federal Transit - Formula Grants	20.507	TN-90-X231	\$ -	\$ 2,218,274	\$ 2,280,786	\$ -	\$ (62,512)
Federal Transit - Formula Grants	20.507	TN-90-X247	-	-	193,230	-	(193,230)
Total Federal Transit - Formula Grants			-	3,245,264	3,535,550	-	(290,286)
Total Federal Transit Cluster			-	4,948,534	5,239,922	-	(291,388)
Job Access - Reverse Commute	20.516	TN-37-X021	(31,270)	286,798	268,545	-	(13,017)
Job Access - Reverse Commute	20.516	TN-37-X027	-	61,468	128,134	-	(66,666)
Total Job Access - Reverse Commute			(31,270)	348,266	396,679	-	(79,683)
Total Expenditures of Federal Awards - CARTA			(31,270)	5,296,800	5,636,601	-	(371,071)
Chattanooga Metropolitan Airport Authority							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-28	(11,196)	299,772	288,576	-	-
Airport Improvement Program	20.106	3-47-0009-29	(79,323)	340,160	260,837	-	-
Airport Improvement Program	20.106	3-47-0009-32	(33,879)	962,543	928,664	-	-
Airport Improvement Program	20.106	3-47-0009-33	(188,704)	1,599,212	1,440,056	-	(29,548)
Airport Improvement Program	20.106	3-47-0009-34	-	828,192	1,145,639	-	(317,447)
Airport Improvement Program	20.106	3-47-0009-35	-	1,424,706	1,596,521	-	(171,815)
Airport Improvement Program	20.106	3-47-0009-36	-	242,901	783,153	-	(540,252)
Airport Improvement Program	20.106	3-47-0009-37	(66,500)	214,218	148,668	-	(950)

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Airport Improvement Program	20.106	3-47-0009-38	\$ -	\$ -	\$ 32,846	\$ -	\$ (32,846)
Airport Improvement Program	20.106	3-47-0009-39	-	316,350	296,168	-	20,182
Total Expenditures of Federal Awards - Component Unit Audited by Other Auditors			(379,602)	6,228,054	6,921,128	-	(1,072,676)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(410,872)	11,524,854	12,557,729	-	(1,443,747)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(5,443,351)	33,565,546	32,056,025	99,945	(3,833,885)
STATE AWARDS							
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-06-12224-00	-	-	45,023	-	(45,023)
Household Hazardous Waste		GG-05-11117-00	(85,000)	83,906	-	1,094	-
Northshore Wetlands Park Education Pavillion		Z-05-022828-00	(79,590)	-	-	79,590	-
Tennessee Department of Transportation:							
University Greenway		STP-EN-3300(42)	(405,987)	405,987	-	-	-
Transportation Enhancement Program (TVRM)		STP-EN-9202(76)	-	-	28,904	-	(28,904)
Tennessee Wildlife Resource Agency:							
Pumpout Station		N/A	(70,375)	70,375	-	-	-
Floating Docks		N/A	(35,000)	35,000	-	-	-
Boating Infrastructure		N/A	(92,500)	-	-	-	(92,500)
Tennessee Film, Entertainment, and Music Commission:							
Film Commission		N/A	-	2,500	-	-	2,500
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency THDA Entitlement - CNE Project		Program Income	223,433	226,777	-	-	450,210
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			(545,019)	824,545	73,927	80,684	286,283

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Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
Tennessee Department of Transportation:							
State funding for TN-26-0020		GG-0310136	\$ (10,943)	\$ 57,746	\$ 49,238	\$ -	\$ (2,435)
State funding for TN-03-0042		GG-0410868	-	145,857	145,857	-	-
State funding for TN-03-0060		GG-0310034	-	4,140	4,140	-	-
State funding for TN-90-X215		GG-0511539	(66,295)	145,848	79,553	-	-
State funding for TN-37-X021		GG-0410492	(25,567)	88,128	65,748	-	(3,187)
State funding for TN-03-0067		GG-0410420	(690)	2,673	1,983	-	-
State funding for TN-03-0070		GG-0410542	-	1,374	1,374	-	-
State funding for TN-03-0076		GG-0511471	-	5,075	5,213	-	(138)
State funding for TN-03-0081		GG-0612236	-	44,635	44,635	-	-
State funding for TN-90-X231		GG-0612188	-	302,127	310,720	-	(8,593)
State funding for TN-90-X247			-	-	24,154	-	(24,154)
State funding for TN-37-X027		GG-0410441	-	43,609	64,067	-	(20,458)
State Operating		GG-0612128	-	1,861,764	1,861,764	-	-
State Operating		GG-0511491	(299,963)	299,963	-	-	-
Total Expenditures of State Awards - CARTA			(403,458)	3,002,939	2,658,446	-	(58,965)
Chattanooga Metropolitan Airport Authority							
Airport Improvement Program		33-555-0180-04	(14,301)	-	37,896	-	(52,197)
Airport Improvement Program		33-555-0177-04	(90,576)	-	14,491	-	(105,067)
Airport Improvement Program		33-555-0787-04	-	-	406,564	-	(406,564)
Airport Improvement Program		33-555-0162-04	(145,125)	145,125	-	-	-
Airport Improvement Program		33-555-0173-04	(252,319)	260,508	8,189	-	-
Airport Improvement Program		33-555-0767-04	(460)	-	(460)	-	-
Airport Improvement Program		33-555-0179-04	(14,785)	-	24,439	-	(39,224)
Airport Improvement Program		33-555-0788-04	-	-	48,658	-	(48,658)
Airport Improvement Program		33-555-1002-04	-	-	8,140	-	(8,140)
Airport Improvement Program		33-555-0798-04	-	-	57,756	-	(57,756)
Airport Improvement Program		33-555-0784-04	-	36,603	36,603	-	-

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SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Airport Improvement Program		33-555-0786-04	\$ -	\$ 70,307	\$ 70,307	\$ -	\$ -
Airport Improvement Program		33-555-0789-04	-	18,653	18,653	-	-
Airport Improvement Program		33-555-0790-04	-	69,186	69,186	-	-
Airport Improvement Program		N/A	(125)	-	30,148	-	(30,273)
Airport Improvement Program		N/A	(15)	-	(15)	-	-
Airport Improvement Program		N/A	(1,750)	-	3,912	-	(5,662)
Airport Improvement Program		N/A	-	-	42,014	-	(42,014)
Airport Improvement Program		N/A	-	-	20,609	-	(20,609)
Airport Improvement Program		N/A	-	-	864	-	(864)
Airport Improvement Program		N/A	-	-	7,794	-	(7,794)
Airport Improvement Program		N/A	-	-	37,575	-	(37,575)
Airport Improvement Program		N/A	-	-	51,039	-	(51,039)
Total Expenditures of State Awards - Chattanooga Metropolitan Airport Authority			<u>(519,456)</u>	<u>600,382</u>	<u>994,362</u>	<u>-</u>	<u>(913,436)</u>
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			<u>(922,914)</u>	<u>3,603,321</u>	<u>3,652,808</u>	<u>-</u>	<u>(972,401)</u>
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			<u>(1,467,933)</u>	<u>4,427,866</u>	<u>3,726,735</u>	<u>80,684</u>	<u>(686,118)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (6,911,284)</u>	<u>\$ 37,993,412</u>	<u>\$ 35,782,760</u>	<u>\$ 180,629</u>	<u>\$ (4,520,003)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2006

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$734,657 and \$748,250, respectively.

Note 3. Accrual Adjustment

The accompanying schedule of expenditures of federal and state awards includes a restatement of beginning accrued/deferred grant revenue \$298,165 related to Air Pollution Control Program Support (CFDA 66.001). This amount was not included as ending accrued/deferred grant revenue on the prior year schedule.

Note 4. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending accrued revenues that will not be received.

Note 5. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$2,765,877
Emergency Shelter Grants Program	14.231	84,324
Home Investment Partnerships Program	14.239	1,331,157
Community Development Block Grants/ Brownfields Economic Initiative	14.246	10,387

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

We have audited the financial statements of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 31, 2006. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Chattanooga's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated October 31, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hazlett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 31, 2006

Report on Compliance With Requirements Applicable to Each Major Federal Program
and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority whose federal and state financial assistance is \$6,921,128. The reports of the other auditors on compliance with the requirements applicable to major programs have been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority was based solely on the reports of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures and the reports of the other auditors disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as Findings 2006-1 and 2006-2.

Internal Control Over Compliance

The management of the City of Chattanooga, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters and the reports of the other auditors did not disclose any matters involving the internal control over compliance and its operation that we consider to be material weakness.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 31, 2006

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☐ yes ☒ no

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218 14.239	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants Home Investment Partnerships Program
20.106 20.500 20.507	U.S. Department of Transportation: Airport Improvement Program Federal Transit Cluster: Federal Transit – Capital Improvement Grants Federal Transit – Formula Grants
93.568 93.600	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP) Head Start

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Dollar threshold used to distinguish between type A
and type B programs: \$961,681

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2006-1

Federal program: CFDA 20.106 Airport Improvement Project
Federal agency: Federal Aviation Administration

Criteria: According to the grant agreement with the Federal Aviation Administration (FAA), the Airport Authority is reimbursed by the FAA up to 95% for approved expenditures on Airport Improvement Projects (AIP). The grant also specifies a maximum amount of funding for each project.

Condition: The Airport Authority inadvertently requested and received reimbursement in the amount of \$23,513 from AIP #3-47-0009-39 for costs to be reimbursed by State Project #33-555-0788-04.

Effect: The Airport Authority is not in compliance with the grant requirements of AIP #3-47-0009-39.

Cause: These two contracts are related to the same project and the Airport Authority inadvertently requested reimbursement under the wrong contract.

Recommendation: Care must be taken to ensure reimbursement is requested from the correct contract.

Management's Response: We concur with the finding. Procedures are in place to ensure future requests for reimbursement are made from the correct contract.

Finding 2006-2

Federal program: CFDA 20.500 Federal Transit-Capital Investment Grants
CFDA 20.507 Federal Transit-Formula Grants
Federal agency: United States Department of Transportation

Condition: Regulations require that ECHO draw downs be disbursed within three business days after receipt of the funds. The audit disclosed eight instances of ECHO draw downs by CARTA not being disbursed within three business days.

Questioned Costs: A sample of 35 expenditures was tested totaling \$4,205,180. Eight expenditures with costs totaling \$2,278,205 were found to have been disbursed after three days.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Effect: The questioned costs may be subject to interest owed for the time period of noncompliance to the FTA.

Cause: CARTA is requesting draw downs on the assets which are received subject to testing and approval by CARTA. Payments to vendors are not made until assets are deemed to meet acceptable standards. The testing and approval process often exceeds three business days.

Recommendation: We recommend that CARTA request draw downs from ECHO only after assets are deemed to meet organizational standards.

Management's Response: CARTA management is reviewing these requirements to determine that draw downs are disbursed timely.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

Finding 2005-1 from June 30, 2005

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)

Condition: The City of Chattanooga Department of Human Services (DHS) contracted with the Hamilton County Department of Education Child Nutrition Department to provide meals for the City's SFSP. An internal audit performed by the Hamilton County Department of Education revealed discrepancies of meals billed to and paid by the City DHS that were never produced by the Child Nutrition Department during the 2004 program year.

Current status: The program was not administered by the City for the 2006 program year.

Finding 2005-2 from June 30, 2005

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)

Condition: Monitoring visits were performed by Tennessee DHS during September, 2005 to verify the 2005 SFSP claim prior to reimbursement. Per monitoring reports, the City DHS claimed incorrect meals during the 2005 SFSP. Meals were claimed for an unapproved site and an incorrect number of sites in operation were claimed. In addition, the City DHS was notified by Tennessee DHS of six additional ineligible sites that could not be claimed for reimbursement.

Current status: The program was not administered by the City for the 2006 program year.

Finding 2005-3 from June 30, 2005

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)

Condition: Monitoring visits were performed by Tennessee DHS during September, 2005 to verify the 2005 SFSP claim prior to reimbursement. Per monitoring reports, the City DHS failed to maintain documentation of required training for site personnel.

Current status: The program was not administered by the City for the 2006 program year.

Finding 2005-4 from June 30, 2005

Federal program: CFDA 14.218 Community Development Block Grants/Entitlement Grants

Condition: Large adjustments were made to prior year ending deferred program income in the current year to accurately report current year program income. Additionally, program income as reported in the schedule of expenditures of federal and state awards did not agree to the Integrated Disbursement and Information System (IDIS) reports submitted to the U.S. Department of Housing and Urban Development (HUD) for the fiscal year 2005. HUD's monitoring review determined that program income of \$267,344 in 2005 was not used prior to the City's expenditure of grant funds.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

Current status: Corrective action has been taken.

Finding 2005-5 from June 30, 2005

Federal program: CFDA 14.239 HOME Investment Partnerships Program

Condition: Large adjustments were made to prior year ending deferred program income in the current year to accurately report current year program income.

Current status: Corrective action has been taken.